



KKM Fixed Income powered by Nasdaq Dorsey Wright

Model Start Date: 7/29/2010



Model Objective

The Fixed Income Model attempts to capture the strongest trends and avoid the weakest trends, staying within the universe listed below, rotating based upon changes in performance trends. It is dispersion of returns within the Model inventory that creates the opportunity for a relative strength evaluation process to identify worthwhile trends to follow, as well as those critical to avoid. The Fixed Income Model inventory of funds provides a diversity of investments that is generally advantageous to trend-based tactical rotation strategies.

Relative Strength Methodology

The most adaptive tool we have found to identify the strongest trends from the weakest within an investable universe is Point & Figure Relative Strength. Our Relative Strength calculation is designed to target long term themes of outperformance, while also remaining responsive enough to allow for rotation when market trends necessitate. In short, Relative Strength attempts to minimize exposure to underperforming positions, while letting profitable positions run. Most importantly, this systematic and rules-based approach eliminates the subjective or "emotional" trades, as the calculation is derived from price data alone.

Systematic Portfolio Rules

- Over 25 Fixed Income-related ETFs are considered in the ranking system. Treasuries, Corporate, International, High Yield, Inflation, Agency, and Municipal bonds are represented in the inventory, as well as Preferred Equities.
- The Portfolio stays 100% invested at all times.
- The Portfolio holds five positions in an equal weighted manner.
- To be included in the Portfolio, the ETF must have superior relative strength versus other possible inclusions to the Portfolio.
- Once a member of the Portfolio, to be replaced, the ETF must fall significantly out of favor versus the field.
- When a Position is sold, the proceeds move into the strongest relative strength ETF not currently in the Portfolio. At any position change, if any position is more than 27% or less than 13%, the Portfolio is rebalanced back to an equal weighting.

Model Inventory

SYMBOL	ETF NAME
AGG	Core U.S. Aggregate Bond ETF
CIU	Intermediate Credit Bond ETF
CSJ	1-3 Year Credit Bond ETF
FLOT	Floating Rate Bond ETF
GNMA	GNMA Bond ETF
HYG	iBoxx \$ High Yield Corporate Bond ETF
IEI	3-7 Year Treasury Bond ETF
STIP	0-5 Year TIPS Bond ETF
LEMB	Emerging Markets Local Currency Bond ETF
MUB	National Muni Bond ETF
TLT	20+ Year Treasury Bond ETF
AGZ	Agency Bond ETF
CLY	10+ Year Credit Bond ETF
EMB	J.P. Morgan USD Emerging Markets Bond ETF
GBF	Government/Credit Bond ETF
SUB	Short-Term National Muni Bond ETF
HYXU	International High Yield Bond ETF
IGOV	International Treasury Bond ETF
ISHG	1-3 Year International Treasury Bond ETF
LQD	iBoxx \$ Investment Grade Corporate Bond ETF
PFF	U.S. Preferred Stock ETF
SHV	Short Treasury Bond ETF
CEMB	Emerging Markets Corporate Bond ETF
CRED	Core U.S. Credit Bond ETF
EMHY	Emerging Markets High Yield Bond ETF
GHYG	Global High Yield Corporate Bond ETF
GVI	Intermediate Government/Credit Bond ETF
IEF	7-10 Year Treasury Bond ETF
ILTB	Core 10+ Year USD Bond ETF
MBB	MBS ETF
TLH	10-20 Year Treasury Bond ETF
SHY	1-3 Year Treasury Bond ETF
TIP	TIPS Bond ETF

DISCLOSURE

Blackrock Investments, LLC has arranged with Dorsey, Wright to provide this specialized ETF page on the ETFs. The Point & Figure analysis, models and resulting rankings, including any information, data or commentary included therein, are created and provided solely by Dorsey, Wright & Associates. Such analysis, models and rankings should not be considered an offer to purchase or sell, or a solicitation of an offer to buy or purchase any security, including iShares ETF shares. Neither Blackrock Investments, LLC nor Dorsey Wright through this ETF page provide investment advice or recommendations regarding any security, fund or market. The percentage of the portfolio devoted to any ETF is at the sole discretion of the financial advisor or the customer, and not Dorsey, Wright & Associates or Blackrock Investments, LLC. If you are not familiar with Point & Figure methodology, we suggest you read "Point & Figure Charting, 4th Edition" by Thomas J. Dorsey. If you are not familiar with the Blackrock Investments, LLC ETF product, or Exchange Traded Funds (ETFs). The relative strength strategy is NOT a guarantee. There may be times where all investments and strategies are unfavorable and depreciate in value. Relative Strength is a measure of price momentum based on historical price activity. Relative Strength is not predictive and there is no assurance that forecasts based on relative strength can be relied upon.